



## Orem Public Works Advisory Commission Meeting Minutes

7:00 a.m. Tuesday, February 17, 2015  
Orem Public Works Department  
Conference Room 2  
1450 West 550 North

CONDUCTING: Tai Riser

ATTENDING:	Chris Tschirki	Reed Price	Carol Walker
	Fred Philpot	Jim Michaelis	K.C. Shaw
	Keith Larson	Mike Collins	Keith Larsen
	Kim Watson	Neal Winterton	Bill Peperone
	Lawrence Burton	Sam Kelly	Tyler Peay
	Debbie Lindsay		

ABSENT/EXCUSED: Val Hale Tom MacDonald

### WELCOME/APPROVAL OF MINUTES

Tai Riser welcomed everyone. Tai asked if there were any questions or discussion regarding the minutes from January 15, 2015. There were none. Tai *asked for a motion* to approve the minutes. K. C. Shaw *made a motion* to approve the minutes. Jim Michaelis *seconded* the motion. *Minutes were unanimously approved.*

Tai turned the time over to Chris Tschirki. Chris made everyone aware that February 24<sup>th</sup> is the critical day of the presentation to City Council in their work session. The work session will begin at 3:00 pm and will be held at the Public Safety Conference room. He anticipates that the presentation will last approximately ½ hour with a larger amount of time for questions and comments by the Council. He encouraged the PWAC members to come to the work session and lend their support. He feels that a unified support of the PWAC members would go a long way with the Mayor and Council members, helping them to realize that the proposal has been thoroughly vetted. He asked for any recommendations and changes be put forth today so the presentation could be changed. He encouraged comments or concerns with the presentation and asked everyone to please speak their mind freely so that we could move forward in a united fashion.

Carol asked if there could be a “cheat sheet” with bullets on it to help out in the presentation. Reed said that the main point that the members of PWAC need to emphasize is that there needs to be significant effort in maintaining our systems that has not been done in the past. He agreed with Carol in having the bullets set out.

### FEBRUARY 24 UTILITY RATE OPTIONS – City Council Work session

Chris said that after the Utility Rate Presentation he would like to share a phone application called Eye on Water. It can also be installed on an Ipad or any other mobile device. This app will allow you to look at your water history and what you've been consuming. You can look at hourly consumption to show you your peak flow. Chris turned the time over to Keith Larson, Mike Collins and Fred Philpot for the presentation.

Keith said this would be a dry run for the City Council Works session on February 24<sup>th</sup>. He said he would present it and then would like feedback from the commission members as to how it can be improved and modified for City Council. He said that the consensus he got from the prior meeting with City Council was that the Council felt the presentation was great, that it made sense but they wanted to know how we were going to pay for it.

Keith put up a visual for all to see. He said that what they have found with their rate study so far was that we have overwhelmingly positive news! The first thing he stressed was no new debt. Everything in his presentation is "pay-as-you-go" funding. There will be no additional debt or interest to be paid for. The second thing he stressed was that Orem currently the lowest in the state. Even with the proposed changes Orem rates will still be among the lowest in the state. The last thing is the Automated Metering Systems (AMI). The AMI and the other proposed will allow residents to have greater control over their water and sewer bill.

Keith put a chart visual. He has prepared one for each utility – water, sewer and storm water. He explained the chart as follows: 1) the bottom blue line represents the current level of funding based on our existing rates relative to capital infrastructure, 2) The top black line is the recommended long-term level of funding to maintain the infrastructure at a good service level, and 3) The bars on the chart represent the proposed expenditures and projects. Today's discussion is to determine how to get from the blue line to the black line. Of the three scenarios, the first one is a one-time increase that will take us quickly to the black line. The second scenario follows the Capital Improvement Plan (CIP) exactly as laid out which is represented on the chart with a red line. The last scenario represents a five-year level increase that starts from today to 2020. Scenario one generates a little more revenue than the CIP needs and scenario three does not generate quite enough funds for the proposed CIP which would cause us to defer some of the improvements.

Each of the scenarios for each utility has a category for annual increase on a percentage basis each year. It shows the cumulative increase and the effect on the average monthly bill. All three of the scenarios end up at the same place in terms of the percent increase and the average monthly bill. Scenario two follows the CIP exactly as it has been laid out so there is zero dollar effect. Scenario one will generate an extra \$3 million and scenario three comes in about \$6.6 million less than proposed. This would force a postponement of some of the improvements needed such as the automated metering.

Carol asked if anyone thought residents will really care if they have an automated reader system. Chris replied that with a seasonal rate that we are recommending, the AMI will give the resident more control over their consumption particularly in the summer month with irrigating. He said that later in the meeting he would show how the program works and will give everyone a clearer picture of the power the AMI will give the residents. Tai believes this will help the consumer and the City as well. Chris said we are trying to be conservation minded and environmentally sensitive to a resource will become more valuable over time. Reed pointed out that when residents complain about their bill, we will be able to give them this tool so the resident has more control over use and expense. Mike said that it will be somewhat age-dependent. Those under 40 years old will most likely be more enthusiastic about the AMI. Chris

said there are other aspects to consider. The examples he gave were we would be able to help a resident detect if there is leak behind the meter to the home and additionally we will be able to tell if there is any type of a backflow occurrence which means water being pulled back in to the system inadvertently and unintentionally from the resident's side of the system. This does occur on occasion and will help us from a water quality perspective, a conservation perspective and a loss perspective for the consumer. Mike added that should also include a financial perspective as well.

Mike asked if the cumulative increase is an important number to have on the visual. Chris believes there is some merit to it but asked if Mike felt it should be taken out and just showing an annual increase instead. Keith suggested that it could be simplified. Tai agreed and pointed out that your eye does get a little lost. Keith said that the challenge that he faces it that they are trying to condense hours of Fred's work and dozens of scenarios in to a "mini skirt" presentation. He also said that it may be a good idea to remove the increase as people will latch on to the numbers when we really should focus on the fact that there will be a \$20/month increase. Carol agreed and pointed out that that what the consumer will want to know is what the bottom line is going to be. Tai agreed and said that most people don't think in percentages, they think of what the dollar increase to their monthly bill. Mike pointed out that the headlines in the paper will read "78.9% increase requested by Chris Tschirki". That got a chuckle and an "Ahhh" from Chris!

Keith put up the visuals for Sewer and Storm. He did the same three scenarios for Sewer. The CIP for sewer doesn't need to be quite as aggressive as water so there is less CIP to show. The bottom line is \$18.00. Reed asked if the first graph was just for Water. Chris and Keith both reaffirmed that was the case. Chris asked if the others would like to see a similar graph for Sewer and Storm. Chris said he felt that it would be nice to show the alternatives prior to each table. Keith said that would be easy enough to do. Keith went on to explain the visual for Sewer. The visual shows how we get to an \$18 increase on each scenario. The Storm Drain visual shows how we get to a \$2 increase with each scenario. The dollar amount increase is small at \$2 but is about a 40% increase. We need to the increase in year one to meet the CIP.

Keith asked if we even need to show a bunch of different scenarios, or does it need to be trimmed back. Both Reed and Chris said the Council would ask for them. Chris said they will actually ask for scenario #4 which would be a 10 or 20 year plan. Tai said the explanation would be that the negative number is only going to increase dramatically and ask them if they really want that. Jim pointed out that overall we are talking about a \$45 increase per month. Tai asked if we took scenario #1 and backdated from the last time we actually had a utility increase through 2020, what would the average be? He thinks that there would be some good news in that we have delayed the problem and haven't had rate increases in some time. If we backdate that, the average increase would probably be relatively small. Mike said that the charts at the end of this presentation would answer that question. Chris said that Tai brought up a great point and we need to hone in on that. He wants the Council to know that the farther we delay this the greater the pain will be. Keith reaffirmed that with a 10 year plan the numbers become more negative and there are projects that cannot be postponed. This would mean that would have to be bonding required. Chris will work on information on the last increases for Keith. We have had some pass-through increases but nothing significant towards CIP for at least 10 years. We had a large infusion of dollars due to bonding back in 2005. Reed asked if the new CIP proposal includes a new tank as well. Keith reaffirmed this.

Reed said that a natural question from the Council would be how has this been proposed to the Councils in the past and was it voted down? Or has this not ever been proposed? Chris

replied that back in 1998 we did a Storm Water Master Plan. We came up with rate increases at that time but it was not followed. The first couple of increases were adopted and then it just fizzled out. As a result, it has been delayed over the past 17 years. Mike asked if the Council was using that as a “Badge of Honor” in that they “kept” the rates down. Reed concurred that they could construe that as a “Badge of Honor” but it was to our detriment.

Keith resumed his presentation. He said what we’ve looked at so far is overall increases. Within the actual rates, there are a couple of structural changes that were proposed. The two main issues are first in Water; we propose moving to a seasonal rate. Currently we charge the same rate year round. With a seasonal rate we would separate rates during the winter months and the summer months. The higher rate would be during the summer for volumetric water. There are several reasons that he is recommending that we do this. Most of the costs are due to peak demands that occur in the summer. There is a better match to the cost of actual service by collecting more revenue in the summertime than in the winter. Secondly, it encourages conservation when water is needed most and when it is most available. And lastly, it gives the residents greater control of their utility bill. Reed asked if this study takes in to consideration conservations efforts and decreased revenues? Keith said it does. Fred said that it includes a negative 2% per year. It would be 10% by the end of 5 years. Reed also questioned if residents will have greater control over their bill, does that assume that they have electronic access to their water use from day one? It is difficult to control your bill if you are being billed after the fact.

Mike advised Keith that he may want to mention in the water presentation that the automated meter reading is another consideration. Chris believes that would give residents additional control.

Chris had questions about the numbers on Keith’s chart with peak use in July at 55,000 gallons as average use in Orem? Keith said that what the chart is showing is actually typical for Sandy City because he had their numbers already and was able to just plug it in to this presentation. He believes Orem’s numbers are very similar. Mike pointed out to Keith that one question that will be asked is what kind of cost difference will there be between winter and summer? Keith replied that this was an excellent question and would be covered in his next slide. He will cover that but would like to go to Sewer first.

The other major change we are proposing is moving to a base rate per unit on sewer. Keith showed his Sewer visual. He stated that this has been discussed with the Council previously. It would involve charging per by unit rather than by connection. This would affect multiple unit dwellings. This would eliminate the subsidy and accrue fairness. It would also increase revenues by about \$500,000 which would be available to offset other increases to the overall rates. Chris agreed with this and would like to point out to the Council that the widow/widower who lives alone is paying the same rate as a multiplex. That rate is being shared among those living in the multiplex. This is not fair to those who live alone and pay the same rate.

In answer to Mike’s question Keith replied that on the water side we are currently at a \$13.94 base rate and \$.58 for both winter and summer water. By 2020 we would jump to \$.83 in the winter and \$1.25 in the summer for water rates. On the Sewer side we increase both the residential base rate and the volume rate. In Storm there will be a straight increase.

K.C stated that he doesn’t see any impact fees or charges. Bill said he had the same question. K.C. said that if he were a Councilman he would question why we are making residents pay for an increase due to new growth that really should be born on the backs of those who are coming in. Keith gave several ideas on that and told the commission members they could decide

on how they would address this with the Council. He said the facts are that we do currently have an impact fee but it only applies to the southwest annexation area. That is already incorporated in to the rates he has shown. It has not been City policy in the past to have an impact fee. There is a connection fee which has also been taken in to account but it does not reflect the impact of new growth. Mike pointed out that most of the improvements being discussed are for existing users. K. C. asked if that would mean the southwest annex is paying for the new tank. Keith said that the southwest area is paying for their portion of the tank. Reed pointed out that there are a lot of high-rise apartment complexes currently under construction which will be using the same pipes that existing customers are using. Mike pointed out that there are two thoughts on ways to look at this: 1) Developers now sue utilities over impact fees. The law is very specific in that you can only do it to growth. 2) It is really a philosophical discussion of the Council. Do you want to have an impact fee or not? He said that it could certainly be incorporated in to the financial scenario but it really comes down to what you want to do. Bill does agree that it is a philosophical question for the Council and he is not comfortable in recommending something that does not include impact fees. K.C. said his thought is if the SW annex is taken care of, that is great. How much open land is available in Orem? Will this be \$100,000 worth of impact or is it \$10,000,000 worth of impact? Fred said that the annexation impact fee has been met with some resistance and resentment and it has not been adopted. As a result, there is not an impact fee allocation in the scenarios. He went on to state that *if* we adopt an impact fee then we can consider some of that revenue. That information has been presented but there is still some question as to what we want to do. The challenge is if we put an amount in the presentation and estimate it at \$500,000/year and then the impact fee isn't implemented, the rates will not be sufficient to provide for the capital infrastructure. We also have to make some assumptions with regards to growth and when that area will actually be annexed and when the development will actually occur. We had to look at impact fees as conservatively as possible because that growth is uncertain. With the uncertainty of growth and lack of policy parity it becomes a challenge to figure out what number we want to put in to offset the rate increase.

Mike suggested that the way to handle the issue with the Council would be if the PW Advisory Commission feels strongly that there should be impact fees we need to say "this is the revenue we need to get and the PW Advisory Commission is recommending that we have the impact fee to help be a part of that revenue". Fred said that he has the recommendations of some of the growth estimates within the annexation area and what the impact fee would have to be. He said that he *could* include the assumptions on growth recognizing that it may or may not happen. Mike said it wouldn't change the rate appreciably. K.C. said it didn't feel it was any different than asking for multi-unit apartments to pay their fair share. He feels new services ought to pay their fair share. He doesn't want to have our hands tied. If we don't grow at this amount, we won't get this revenue so our CIP has to be delayed. Chris referred to the chart visual pointing out that the top line in black is inclusive of new growth and development. He said we have implemented a growth rate which is approximately 3%. Mike clarified that to say that it increases each year by 3%. Keith explained that we have inflation at 3% but Orem's growth is less than .5%. Fred said that he has consumption growth at 0%. Tai asked if we could move forward with this plan? He said that in his experience, the more information thrown at a person makes it hard to make a decision. He feels we already have a *lot* of information already. He also sees a potential "hot potato" with a lot of emotion behind it with the impact fees. He asked if we could "prime the pump" with the impact fee but try to push the choice scenario through? He feels from what is being said that the impact fees are not going to make a huge difference in the CIP

funding over the next 5 years. Fred said that over the long term it would add up to a decent sized sum. Tai clarified that he does agree that there needs to be an impact fee. Chris feels that this City Council will support impact fees. He said we do need to state that we can reduce the overall impact on our rate bases by a certain amount if incorporate impact fees for all the utilities.

Keith said that if he were in Chris' shoes, he would like to see rates adopted as they are proposed with a condition that we look in to impact fees and as those are adopted and adjust the rate to reflect that. Chris asked how long it would take to do a study on a city-wide impact fee per utility. Keith said it would be at least a 3 to 4 month process by the time you do the public hearings and outreach. Mike said that he feels it is not about what it is or how much it develops, its more about if you are going to do it or not. Chris asked if the PWAC members would recommend that we incorporate impact fees, which he supports, and to be determined. He said he would like to discuss this in subsequent PWAC meetings and then present that to the Council for adoption on a per utility basis. This would be a formal process more than it ever has been. It requires a series of public hearings and notices. There have to be public meetings. Mike pointed out that we have to follow the proper steps because people get sued over this.

Fred pulled up the info he had on the SW annexation and found that with looking over the projected growth there, it simply will not add a lot of money under water. Chris stated the area itself is just under a square mile. Orem is currently just under eighteen square miles. Chris pointed out that there is no infrastructure in place in the SW annex area. It will all have to be put in place and they will be paying 100% of that. Mike stated that in all, it would be under \$200,000 that would be brought in. Fred gave some additional options even though the amount brought in is small. Reed said that the approach we've already suggested is the way to go. Tai said we don't want to get the Council bogged down on impact fees and not be able to make a decision.

Neal pointed out that the revenues from the SW annex have to go to the improvements that are listed in capital facilities plan for that area. Mike agreed and said that those revenues have to be spent in that area. It is include on the chart visual. He also noted that we have to spend the money before we actually have people in that area.

Fred pointed out that we are structuring our needs as a pay-as-you-go approach so the rates have to increase in order to fund the CIPs regardless of the impact fee revenue. The impact fees from the SW annex can be added in but will not mitigate the rate curves because we have to build those assets now. The impact fees will pay the rate payers back over time which may mitigate future rate increases for repairs and replacements. As impact fee revenues come in, rates may not have to go up by 3%, but maybe 2.5% instead. The benefit of bonding is if there is a substantial need, you can pay yourselves back over time. The issue is you are still relying on growth to do that.

Mike summarized 3 things about impacts fees: 1) they don't generate a lot of revenue, 2) you don't get the revenue when you have to do a lot of the improvements and 3) he couldn't remember. Bill feels he's looking at this wrong. He feels politically it is more sellable. It is more politically justifiable for a politician to vote for this when he can say "I'm not dumping all of this on the backs of the residents. Out of fairness, we are going to adopt impact fees because that is fairer way to do it." The important point is that we are trying to be fair. Mike pointed out that the Council will want to know how it will affect the rates if we do impact fees. K.C. said that what we say to the Council that it is dependent on an estimate of growth and as that moves forward, we will be able to see better how we can adjust the rate. We simply recommend that an impact fee be included as part of the package to be determined in the future.

Chris agrees that we do need to do this. He said we have one impact fee in the City right now. It is a water right impact fee. When a developer comes in, they buy in to the system with respect to water. They either have to give us water or they have to pay for water that we've already purchased. Mike asked Keith how many cities that they have worked with do not have impact fees. Keith said very, very few. Mike said that Orem is unusual.

Keith summarized that impact fees will be part of the recommendation. He will work them in. Chris pointed out that the impact fee will be on all three utilities.

Keith put up another visual showing the average monthly bill for water. He explained the color system used on the chart. The darker color represents the 2015 rates which are the current rates. The lighter color is proposed 2020 rates. In presentations he's done in other cities, he's added 3% for inflation per year for the next five years. This was based on the average Orem water bill. Orem is still at the bottom compared to the other entities that he used. The entities he chose were a number in Utah County and then others throughout the State that were similar in size and complexity to Orem. On the water side we are at the very bottom. He is doing rate studies for the bottom five cities on his visual and is aware that the others are doing studies as well. All of the cities on the comparison visual are all recommending increases larger than 3% per year. In all likelihood, Orem would still end up somewhere near the bottom. Chris asked Keith to let the Council know that he is doing studies for two of the bottom five and they are going to propose to raise their rates a lot more.

Reed asked what this will do to Lindon's rates. Chris said that they are a pass-through and whatever we do, they will tack on a percent above that particularly on sewer. Keith asked if he needs to show this? Chris said not necessarily. We could leave the visual as is and just point out that Lindon is a pass-through from us to them.

Keith's next visual was Sewer. Once again, Orem is near the bottom rate-wise on the chart. The increase will jump us up a couple of spots but we will still be in the middle or below. Chris pointed out that on the visual, Lindon is at 40+ and Orem is at 20+. We are passing through to them and they are doubling.

Keith's last visual is on Storm Drain. On this visual Orem is closer to the middle of the pack and that is basically where we will stay with the proposed increase.

Keith summed up the three utilities increases. The average monthly bill will be increased by \$49 with the proposed increases through 2020. It will jump to \$86 after. Chris said that looking at the visual, Orem is still below average overall in comparison to the other cities shown on the graph. He feels this is very positive and feels it amazing that we don't have to bond to get close to average! Keith said we will go from the very bottom to below average in terms of rates but above average with service! Chris said it will be a nominal rate increase every year to keep up with inflation. Mike asked how we make the important point that all the rate increases are going to the Capital Improvement Projects and not to pay raises and fancy cars. He feels it is important to let the Council as well as the residents know this. Both Chris and Reed say we just tell them. Chris said that we just need to explain that it will go to replacement and CIP. It will replace existing and build some new that we don't currently have that will be taken care of with the impact fees. We are taking care of our system for the future. Fred said with all the visuals we need to stress those scenarios to meet the end objectives which are the CIPs.

Keith recapped that what he understands is the changes to the presentations the commission is requesting are to simplify the tables and add a recommendation relative to calculating and adopting impact fees. Chris does like the 3 visuals, one for each utility. Tai asked which scenario the commission is recommending. Keith and Mike firmly stated that scenario 2 is

the right choice and the best approach. K.C. had a question regarding the inflation increases shown on the graph in the visual. Is the revenue due to increase in growth or due to inflation. Fred said that it is both, that as expenditures grow our rates need to adjust to stay ahead of that curve. K.C. wants to make sure that the Council doesn't think that at the end of five year we then go twenty more years without an increase. The increase needs to follow inflation. Fred said that if we delay, every seven years we will be addressing this same discussion.

Mike advised that if we want the presentation to the Council to be most effective we need to have several of these comments come from members of the commission. Carol asked Chris to email them to the commission members. Chris said he would and would like Bill to ask about impact fees. Reed asked where the commission members should be seated at the Council work session and what role the PWAC members will play and whether they need to raise their hands to be recognized. Chris said he would introduce each PWAC member to the Council. He will have 7-8 seats reserved for the commission members that will be attending. Mike said that in past meetings the Council has allowed people to comment from the audience. Carol reminded everyone that there will be public in attendance as well.

Keith will bring copies of the visuals for members of the commission that want them. Chris asked Keith to please email the presentation it to him after Keith has tweaked it a bit and he will send it on to the PWAC members. Keith will simplify it.

Chris showed members of the commission the "Eye On Water" program and how it works. This program will shortly be available to PWAC members. They will be able to view their own bill if they have the new meter installed. The Council members all have the new meters and some of the PWAC members have them. Chris hooked his Ipad to the projector. He showed the commission how the program works and the advantages to the consumer. It will help the consumer see their water daily usage, help them to conserve as they see their daily usage as well as help them see if they have a leak in their system. There are 3 screens with the program. The program will give the user the last 30 days of usage as well as daily and hourly consumption. He said there would a savings calculator added to the program in the future. The app will be available at the app stores for the various devices. It will be available for Ipad and iPhones as well as androids. Tyler Peay from the Orem City Water department handed out cards to Reed, Carol, K.C. and Jim who have the new meters. The cards have their account numbers on them which will be needed to set up the Eye on Water account after it is downloaded. Tyler said it is fairly easy and if there were questions, he would be available to help. Chris turned time over to Tai.

Tai asked if there was any other business. K.C. asked what the commission will say to the Council when they ask to see a 10 year plan as opposed to the 5 year plan. Chris said that if we tell them that if they go with scenario 3, everything would be pushed out even farther and costs will be greater and the delays will be even more severe. He said we could tell them that we have a history of that (the delays) and the farther we delay the greater the increases will be in the future. Mike said we need to tell them that in the past we have pushed the problem down the road so this Council needs to deal with it now because previous Councils did not.

Tai *asked for a motion to adjourn*. Carol *moved to adjourn*. Tai adjourned until the next meeting which is scheduled for March 17<sup>th</sup>.